

**STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Patrick C. McKnight

Enforcement Case No. 05-1860

Enforcement Case No. 05-1861

PM Associates

Respondents

_____ /

Issued and entered
On July 31, 2006
by Richard D. Lavolette
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The staff of the Office of Financial and Insurance Services ("OFIS") alleges that the following facts are true and correct:

1. At all pertinent times, Patrick C. McKnight ("McKnight") was the sole proprietor of PM Associates ("PMA") and is located at 4281 Meridian Road, Okemos, Michigan 48864 and are collectively referred hereinafter as ("Respondents.")
2. At all pertinent times, Intermountain Marketing Associates, LLC ("IMA") was a limited liability company organized under the laws of the state of Utah and is located at 120 South Second Street, Coeur D'Alene, Idaho 83816.
3. At all pertinent times, Thomas Howell ("Howell") was the managing and sole member of IMA and is located at 228 Lakeview Drive, Coeur D'Alene, Idaho 83816.
4. At all pertinent times, IMA was not registered as broker-dealer in the State of Michigan and Howell was not registered to sell securities in the State of Michigan.

5. At all pertinent times, McKnight and PMA were not registered as a broker-dealer in the State of Michigan and were not registered to sell securities in the State of Michigan.
6. From approximately March 24, 1999 to August 23, 2001, Respondents McKnight and PMA offered and sold promissory notes, issued by IMA and Howell, to residents of the State of Michigan.
7. Respondents knew or had reason to know that Section 301 of the Act, MCL 451.701 makes it unlawful for any person to offer or sell any securities in this state unless the securities are 1) registered, 2) exempt, or 3) a federally covered security.
8. Respondents knew or had reason to know that Section 201(a) of the Act, MCL 451.601(a) prohibits a person from transacting business as a broker-dealer unless registered under the Act.
9. Respondents knew or had reason to know that Section 201(a) of the Act, MCL 451.601(a) prohibits a person from transacting business as a securities agent unless registered under the Act.
10. Respondents McKnight and PMA knew or had reason to know that Section 101(2) and (3) of the Act, MCL 451.501(2) and (3) makes it unlawful for any person, in connection with an offer, sale or purchase of securities of any security to directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.
11. Respondent McKnight and PMA knew or had reason to know that Section 201(b) of the Act, MCL 451.601(b) prohibits a broker-dealer or issuer from employing an agent unless the agent is registered.

COUNT I

12. From March 24, 1999 to about August 23, 2001, Respondents McKnight and PMA sold promissory notes to Michigan residents on behalf of IMA, by making transactions of established securities for the account of others or for his own account.
13. At no time pertinent to this matter were Respondents McKnight and PMA registered as broker-dealers under the Act.

14. By offering and selling these securities to Michigan residents, Respondents McKnight and PMA were transacting business in the State of Michigan as a broker-dealer in violation of Section 201(a) of the Act.

COUNT II

15. When Respondent McKnight sold promissory notes to Michigan residents on behalf of IMA, he was representing the issuer in effecting or attempting to effect purchases or sales of securities.
16. Respondent McKnight was not registered to sell securities in the State of Michigan.
17. Therefore, Respondent McKnight was transacting business in the State of Michigan as securities agents in violation Section 201(a) of the Act.

COUNT III

18. In connection with the offer and sale of promissory notes issued by IMA and Howell, Respondents McKnight and PMA verbally indicated that the promissory notes issued by IMA and Howell were guaranteed when they were not.
19. Guaranteeing a security is a violation of Section 101(2) and (3) of the Act.
20. Therefore, Respondents McKnight and PMA violated Section 101(2) and (3) of the Act by making untrue statements regarding the sale of securities and engaging in course of business that operates as a fraud or deceit upon the investors.

COUNT IV

21. Respondent McKnight employed Ronald Luther Bess ("Bess") and Robert Matthew Manardo ("Manardo"), through PM Associates, in effecting or attempting to effect purchases or sales of securities in this state.
22. Bess and Manardo are not registered to sell securities in the State of Michigan.

23. Therefore, because Respondents McKnight and PMA acted as a broker dealer, although not registered as such, and employed non-registered individuals to sell securities in this state, Respondents McKnight and PMA violated Section 201(b) of the Act.

B. ORDER

Based on the findings of fact and conclusions of law above and Respondents' stipulation, it is **ORDERED** that:

1. Respondents shall immediately cease and desist from violating Sections 101, 201 and 301 of the Act, MCL 451.501, 601, and 701.
2. Failure to comply with this ORDER will subject you to one or more of the following:
 - a. A civil penalty of not more than \$1,000 for each violation of this act, but not to exceed a total of \$10,000.
 - b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.

MICHIGAN DEPARTMENT OF
LABOR AND ECONOMIC GROWTH



By: _____
Richard D. Lavolette,
Chief Deputy Commissioner
Office of Financial and Insurance Services